



- News
- Forum
- E-mag
- Resources
- Jobs
- Find a lender
- Subscribe
- Advertise



FICO and others announce new scores, but will lenders be using them?



by | Apr 09, 2015



By **Tracy Becker, FICO Pro**

Recently, FICO announced a new score system that is expected to be launched industry wide at the end of this year. This score is designed for those that are "unscorable", or have little to no credit history, and cannot get credit cards. This issue affects about 50 million people, or almost 25% of the U.S. population. Instead of being based on items such as credit history or delinquencies, this score will be based on telephone/utility payments and property records. According to FICO, they tested the model and for people with previously limited credit about 1/3 got above a 620 on the new score.

This is most likely a response to the many companies that have created alternative credit scoring. There are companies such as Vantage Score that already offer a credit evaluation

for people with limited credit based on other data. And there are even companies like RevolutionCredit that offer a credit evaluation based on online courses/tests they provide on financial education.

However, consumers need to be educated and aware that it's still important for them to build up a traditional FICO credit score. Most mortgage banks and lenders are not using these alternative credit scoring systems, and there

LATEST JOBS

- Loan Opener
- Loan Officer (Guaranty Mortgage Services)
- Loan Funder II

MOST DISCUSSED

- NAMB to Obama: Level the playing field for all mortgage originators
In a letter to U.S. President Barack Obama, the association ... [READ MORE](#)
The lender in bed wi ...
Everything is DISCLO ...
- Wells Fargo employee who requested company-wide raises resigns
The employee who emailed the CEO and cc'd 200,000 others at ... [READ MORE](#)
LOL- guy is an idiot ...
Always poking fun at ...
- CFPB hits lender for lies about government affiliation
The CFPB has slapped a lender with a \$250,000 fine for decep ... [READ MORE](#)
Very common practice ...
\$250,000 fine? I've ...

- White paper
- MPA's HOT 100
- Branch Network Opportunities
- Hard/Private money database
- Mortgage Jobs

MPA TV




Pending home sales slightly improved in November and are abo ...



Newsletter sign-up: Enter e-mail address Submit



E-NEWSLETTER

 Housing eNews Alert with top news stories that matter. Opt-out anytime.

[Subscribe today](#)



LATEST NEWS

are strong indications that the new FICO score will not be widely used.

To start, banks utilize FICO’s traditional scoring models for over 90% of consumer credit decisions, and it’s extremely unlikely they will overhaul this model for a new one.

In addition, there are issues of costs for the new model. FICO will be charging extra for their new product, and banks already have a very limited budget for credit scores. For example, when a bank requests a FICO score for a credit card applicant and the applicant has limited credit, they will have to select an option to pay extra to get the new score. In addition, many banks already have their own method in place for evaluating “unscorable” customers without having to use this new score.

As a real estate/financing professional, it’s also important to make consumers aware that traditional FICO scores are always needed for mortgages and other large financing. For those banks that do adopt the new scoring system, it will only be used for initial credit card approvals. You can gain customer loyalty and bring value added by making sure consumers are aware of their FICO score, and if they have limited credit you can direct them to us to educate and help them build a credit profile.

Tracy Becker is the CEO and president of Credit Restoration and Education at [North Shore Advisory Inc.](#)

[Lenders wanted. View all the latest specialist mortgage leads – for](#)



Introducing **MPC** for California Mortgage Professionals
 Visit us at www.MPCmagazine.com **CLICK HERE**

Write a comment

Regional bank to pay \$212.5M to clear HUD mortgage claims

The bank has reached an agreement with HUD to sett ... [READ MORE](#)

CEO: The government wants you to make non-QM mortgages

The \$1.2 trillion market is critical to the housin ... [READ MORE](#)

Fed officials say June rate hike could still happen

Central bank officials are eager to get the rate h ... [READ MORE](#)

Mortgage payments now more affordable than renting in majority of U.S. markets

A recent analysis shows the monthly mortgage on a ... [READ MORE](#)



E-MAG Mortgage Professional America



February 2015 Mortgage Professional Edition



Young Guns; Renovation loans; Marketing tips; Industry Icon; Video marketing; Op ...